

## Senate Energy and Technology Committee

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Good afternoon Mr. Chairman, and members of the committee. My name is Tom Horton and I'm Midwest Vice President of Public Affairs for Waste Management.

Most of you recognize Waste Management for being the nation's, and Michigan's, largest provider of recycling, waste collection and landfill disposal services. Many people are surprised to learn we are a supplier of renewable energy. Prior to the adoption of the Renewable Portfolio Standard (or RPS) we used landfill gas to generate about 13 MW of electricity at 3 Michigan plants. Since introduction of the RPS, our electrical generation has almost tripled. Implementation of the Renewable Portfolio Standard helped raise Waste Management's statewide electrical production from 13 to 37MW of reliable base load power produced at 6 plants. Our newest facility in Macomb county, at Pine Tree Acres landfill is a \$15 million dollar facility that will increase electrical production at the site from 9 MW to 22 MW. Once this facility opens for business in January 2012, Pine Tree Acres landfill will be the largest landfill gas to electric production site in the Midwest and one of the largest in the nation.

The RPS is a success. The legislation works because it created market demand for renewable power through a flexible public-private partnership. It works because Consumer's Energy and Detroit Edison met the responsibilities the legislation placed on them to be good business partners with Michigan's small energy producers by providing power purchase agreements and paying them for the energy they produce. A power purchase agreement is a contract that guarantees, the producer will be paid by the utility for the renewable power they generate. A power purchase agreement is necessary to make a renewable energy project financially secure. Power Purchase agreements move energy production facilities off the drawing board and onto the construction site.

Even though we recognize how well the RPS has functioned, we are pleased this committee is interested in finding ways to improve its future performance.

We offer three suggestions to make it better:

**Recommendation #1. Improve access to power purchase agreements.** Being forced to wait until a utility issues a request for power purchase proposals delays projects. It also means pending renewable energy projects have to run the risk of being put on hold indefinitely if they are not awarded a power purchase agreement. There is also no way of knowing in advance what the utility will pay for the power, which makes it challenging to plan a project. Improving this structure will make it easier and more attractive for renewable energy companies to choose Michigan for their next facility. We need a system that assures developers, the renewable power they produce will be purchased as soon as their plant is operational.

Recommendation #2. **The energy efficiency component should be expanded to allow Renewable Energy Credits (RECs) for waste heat use when the waste heat source is a renewable energy facility.** Waste heat from engines in renewable energy plants is increasingly being used to heat buildings and greenhouses. Waste heat can be measured by calculating its electrical energy equivalent. As an example; if heating a greenhouse with waste heat has an electrical energy value equal to 20 MW, this application should be eligible for energy efficiency RECs just as it would have been eligible for energy production RECS if the waste heat was used to produce 20 MW of power for consumption.

This change would position Michigan to attract greenhouse operations that employ 75 to 100 workers at each 45 acre development. Waste Management is aware of greenhouse operators whose decision to proceed with a Michigan facility could be influenced by an RPS that awards RECS based on the electrical energy equivalent of waste heat. This change would make a MW saved by utilizing waste heat from a renewable energy source equal in value to a MW produced for consumption.

Recommendation #3. **Refinements to parts of PA295** are needed to foster additional development of renewable energy from technologies that were in use prior to the RPS and encourage development of renewable energy production from new technologies or processes that were not in use when the RPS was drafted . We are developing these suggestions and will submit them to the committee as soon as they are completed.

The last item I want to mention is the importance of continuing to allow our electrical utilities to recover the costs imposed on them by PA 295. The legislature got that part right in 2008 and the wisdom of that policy can be seen in the dramatic increase in renewable energy facilities across Michigan.

Thank you for the opportunity to speak today.

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